

AMENDED IN ASSEMBLY APRIL 2, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1077

Introduced by Assembly Member Muratsuchi
(Coauthors: Assembly Members Stone and Williams)

February 22, 2013

An act to add and repeal Sections 6011.3, 6012.4, and 10759.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1077, as amended, Muratsuchi. Sales and use taxes: vehicle license fee: exclusion: alternative fuel motor vehicles.

Existing laws impose state sales and use taxes on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state, *measured by the sales price*. The Sales and Use Tax Law defines the terms “gross receipts” and “sales price.”

This bill would, on and after January 1, 2014, and before January 1, 2022, exclude from the terms “gross receipts” and “sales price,” ~~the amount of the incremental cost, as defined, included in the sales price~~ *in the sale of a new alternative fuel motor vehicle, any amount allowed as a credit under a specified provision of the Internal Revenue Code, relating to new qualified plug-in electric drive motor vehicles, and any amounts received, awarded, or allowed pursuant to a state incentive program for the purchase or lease of an alternative fuel vehicle.*

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing law authorizes districts, as specified, to impose transactions and use taxes in accordance with the Transactions and Use Tax Law, which conforms to the Sales and Use Tax Law. Exemptions from state sales and use taxes are incorporated into these laws.

This bill would specify that this exclusion does not apply to local sales and use taxes and transactions and use taxes.

The Vehicle License Fee Law provides that the annual amount of the license fee for any vehicle is 0.65% of the market value of the vehicle, as specified. That law provides for the determination of the market value of any vehicle, for reclassification to increase the market value of a vehicle, and for the exemption of certain vehicles from the imposition of the license fee.

This bill would, on and after January 1, 2014, and before January 1, 2022, for purposes of determining the vehicle license fee, ~~exempts~~ *exempt* from the determination of market value ~~the incremental costs, as defined, that are incurred in the purchase of a new motor vehicle propelled by alternative-fuel fuels~~ *any amount allowed as a credit under a specified provision of the Internal Revenue Code, relating to new qualified plug-in electric drive motor vehicles, and any amounts received, awarded, or allowed pursuant to a state incentive program for the purchase or lease of an alternative fuel vehicle.*

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Legislature finds and declares:
- 2 (a) There is a wide disparity in fees levied on owners of light-,
- 3 medium-, and heavy-duty vehicles operated on alternative fuels
- 4 when compared to those same taxes and fees levied on owners of
- 5 comparable gasoline and diesel fuel vehicles.
- 6 (b) In some cases, the fees on alternative fuel vehicles are more
- 7 than twice as much as those for conventional fuel vehicles.
- 8 (c) The disparity in fees exists even though the alternative fuel
- 9 vehicle may look identical to the conventional fuel vehicle and
- 10 provide the same or lesser utility to the individual owner.

1 (d) The existing California vehicle license fee on motor vehicles
2 that operate on alternative fuels is higher than for comparable
3 conventional fuel vehicles because alternative fuel vehicles
4 generally have higher sales prices. The higher sales prices are
5 largely due to the fact that these vehicles are produced in extremely
6 low volumes (many assembled by hand), such that their production
7 has not achieved the economies of scale that would significantly
8 reduce their cost; and they use many new advanced materials and
9 technologies that also have not yet achieved economies of scale,
10 and therefore have a temporarily greater cost to consumers.

11 (e) The higher sales prices for these alternative fuel vehicles
12 are expected to be a short-term, temporary situation because prices
13 are expected to decline significantly to competitive levels as
14 volume increases. If this does not occur, these vehicles may never
15 be competitive, and automakers would likely withdraw them from
16 the market. The current vehicle license fee does not reflect these
17 temporary, short-term pricing situations. Instead it intrinsically,
18 but incorrectly, assumes that these short-term higher prices reflect
19 true long-term market value of the vehicles.

20 (f) Alternative fuel vehicles provide benefits to California
21 citizens that are external to, or not reflected in, their cost to the
22 purchaser. These benefits include: increasing our national
23 independence from foreign energy sources; providing more
24 transportation choices for consumers and businesses, thus reducing
25 our economic vulnerability to sudden fuel price increases caused
26 by external or internal events; reducing air pollutants, climate
27 change pollutants, and toxic emissions from mobile sources; *and*
28 reducing future pressures for additional environmental controls
29 on existing and new businesses and industries in California; ~~and~~
30 ~~creating new advanced transportation technology jobs and~~
31 ~~industries in California.~~

32 (g) It is the public policy of the State of California, the federal
33 government, and many local governments, to encourage the
34 development and use of alternative fuel vehicles, for the purpose
35 of providing the benefits described above to all California citizens.

36 (h) Existing vehicle license fee calculations, as they relate to
37 the determination of market value of alternative fuel vehicles, do
38 not reflect the critical short-term pricing issues described above,
39 nor the external benefits that accrue to all California citizens.
40 Additionally, these existing fees act as a significant disincentive

1 to potential purchasers of alternative fuel vehicles, and as such,
2 are contrary to existing public policies at all levels of government.

3 (i) It is the intent of the Legislature to equalize the vehicle
4 license fee between alternative fuel vehicles and conventional fuel
5 vehicles for a period of eight years, beginning January 1, 2014,
6 and ending December 31, 2021. ~~During this time period it is the~~
7 ~~intent of the Legislature that the incremental or differential cost~~
8 ~~between an alternative fuel vehicle and a comparable conventional~~
9 ~~fuel vehicle, as determined by the State Energy Resources~~
10 ~~Conservation and Development Commission, should be exempt~~
11 ~~from the vehicle license fee.~~

12 SEC. 2. Section 6011.3 is added to the Revenue and Taxation
13 Code, to read:

14 6011.3. (a) Notwithstanding Section 6011 or any other law,
15 on and after January 1, 2014, and before January 1, 2022, “sales
16 price” from the ~~sale~~ *purchase* of a new alternative fuel motor
17 vehicle shall not include ~~the amount of the incremental cost any~~
18 *amount allowed as a credit under Section 30D of the Internal*
19 *Revenue Code, relating to new qualified plug-in electric drive*
20 *motor vehicles, and any amounts received, awarded, or allowed*
21 *pursuant to a state incentive program for the purchase or lease of*
22 *an alternative fuel vehicle, including, but not limited to, state*
23 *income tax credits, the Clean Vehicle Rebate Project, the*
24 *California Hybrid and Zero-Emission Truck and Bus Voucher*
25 *Incentive Project, and the On-Road Heavy-Duty Voucher Incentive*
26 *Program under the Carl Moyer Program.*

27 (b) For purposes of this section, all of the following shall apply:

28 (1) “Alternative fuel vehicle” means a motor vehicle subject to
29 registration under the Vehicle Code that operates some or all of
30 the time on a fuel other than gasoline or diesel.

31 ~~(2) “Incremental cost” means the amount equal to the reasonable~~
32 ~~difference between the cost of the new alternative fuel motor~~
33 ~~vehicle and the cost of a comparable gasoline or diesel fuel vehicle.~~
34 ~~This amount shall constitute the maximum incremental cost for~~
35 ~~purposes of the exclusion in subdivision (a), and shall be reduced,~~
36 ~~as appropriate, in accordance with the actual sales price of the~~
37 ~~vehicle.~~

38 ~~(3)~~

39 (2) “Motor vehicle” means “motor vehicle” as defined by
40 Section 415 of the Vehicle Code.

1 (c) ~~The actual incremental cost of the vehicle after deducting~~
2 ~~the amounts described in subdivision (a)~~ shall be stated in the
3 contract for sale or lease with the purchaser, and shall be reported
4 to the board quarterly.

5 (d) Notwithstanding any provision of the Bradley-Burns
6 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing
7 with Section 7200)) or the Transactions and Use Tax Law (Part
8 1.6 (commencing with Section 7251)), the exclusion established
9 by this section shall not apply with respect to any tax levied by a
10 county, city, or district pursuant to, or in accordance with, either
11 of those laws.

12 (e) This section shall be repealed on January 1, 2022.

13 SEC. 3. Section 6012.4 is added to the Revenue and Taxation
14 Code, to read:

15 6012.4. (a) Notwithstanding Section 6012 or any other law,
16 on and after January 1, 2014, and before January 1, 2022, “gross
17 receipts” from the sale of a new alternative fuel motor vehicle shall
18 ~~not include the amount of the incremental cost~~ *any amount allowed*
19 *as a credit under Section 30D of the Internal Revenue Code,*
20 *relating to new qualified plug-in electric drive motor vehicles, and*
21 *any amounts received, awarded, or allowed pursuant to a state*
22 *incentive program for the purchase or lease of an alternative fuel*
23 *vehicle, including, but not limited to, state income tax credits, the*
24 *Clean Vehicle Rebate Project, the California Hybrid and*
25 *Zero-Emission Truck and Bus Voucher Incentive Project, and the*
26 *On-Road Heavy-Duty Voucher Incentive Program under the Carl*
27 *Moyer Program.*

28 (b) For purposes of this section, all of the following shall apply:

29 (1) “Alternative fuel vehicle” means a motor vehicle subject to
30 registration under the Vehicle Code that operates some or all of
31 the time on a fuel other than gasoline or diesel.

32 (2) ~~“Incremental cost” means the amount equal to as the~~
33 ~~reasonable difference between the cost of the new alternative fuel~~
34 ~~motor vehicle and the cost of a comparable gasoline or diesel fuel~~
35 ~~vehicle. This amount shall constitute the maximum incremental~~
36 ~~cost for purposes of the exclusion in subdivision (a), and shall be~~
37 ~~reduced, as appropriate, in accordance with the actual sales price~~
38 ~~of the vehicle.~~

39 (3)

(2) “Motor vehicle” means “motor vehicle” as defined by Section 415 of the Vehicle Code.

(c) ~~The actual incremental cost of the vehicle after deducting the amounts described in subdivision (a)~~ shall be stated in the contract for sale or lease with the purchaser, and shall be reported to the board quarterly.

(d) Notwithstanding any provision of the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200)) or the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)), the exclusion established by this section shall not apply with respect to any tax levied by a county, city, or district pursuant to, or in accordance with, either of those laws.

(e) This section shall be repealed on January 1, 2022.

SEC. 4. Section 10759.5 is added to the Revenue and Taxation Code, to read:

10759.5. (a) For purposes of determining the vehicle license fee imposed by this part, there are exempted from the determination of market value, ~~the incremental cost~~ of a new motor vehicle propelled by alternative fuels, *any amount allowed as a credit under Section 30D of the Internal Revenue Code, relating to new qualified plug-in electric drive motor vehicles, and any amounts received, awarded, or allowed pursuant to a state incentive program for the purchase or lease of an alternative fuel vehicle, including, but not limited to, state income tax credits, the Clean Vehicle Rebate Project, the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project, and the On-Road Heavy-Duty Voucher Incentive Program under the Carl Moyer Program.* This exemption shall apply to the subsequent payments of the vehicle license fee.

(b) For purposes of this section, ~~the following shall apply:~~

(1) ~~“Incremental cost” means the amount equal to the reasonable difference between the cost of the motor vehicle defined in subdivision (a) and the cost of a comparable gasoline or diesel fuel vehicle. This amount shall constitute the maximum incremental cost for purposes of the exemption in subdivision (a), and shall be reduced, as appropriate, in accordance with the actual sales price of the vehicle. The actual incremental cost shall be stated in the contract for sale or lease with the purchaser.~~

1 ~~(2) “Motor~~ “*motor* vehicle propelled by alternative fuels” means
2 a motor vehicle that operates some or all of the time on a fuel other
3 than gasoline or diesel.

4 (c) This section shall become operative on January 1, 2014, and
5 shall remain in effect only until January 1, 2022, and as of that
6 date is repealed.

7 SEC. 5. This act provides for a tax levy within the meaning of
8 Article IV of the Constitution and shall go into immediate effect.

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